

AMERICAN TOPICS

These Political Stars

Are in the Ascendant

Who are the most promising politicians in the United States and why? U.S. News & World Report magazine asked two dozen consultants, pollsters and image makers. Their list goes beyond congressional leaders and the much-publicized contenders for president. Here are 10 of their choices:

Leslie Alexander, 45, Republican governor of Tennessee.

Tony Coelho, 43, Democratic congressman of California.

William W. Scruggs, 34, 29, Republican lieutenant governor of Pennsylvania.

Henry G. Cisneros, 38, Democratic mayor of San Antonio, Texas.

Lynn M. Martin, 46, Republican congresswoman of Illinois.

William Lucas, 38, Republican executive of Wayne County (Detroit), Michigan.

William J. Clinton, 39, Democratic congressman of Arkansas.

Madeleine M. Kunin, 52, Democratic governor of Vermont.

Conrad Mack, 34, 45, Republican congressman of Florida.

Thomas R. Downie, 31, Democratic lieutenant governor of Kansas.

The experts say these careers are open to new ideas, are effective campaigners and coalition-builders and are more likely to be problem solvers than ideologues.



Ernest Wheeler, 3, and his sister Jina, 5, reacting during a 21-gun salute during a Memorial Day service in Dallas. The children's uncle was killed in the Vietnam War in 1973.

RESONATING REMEMBRANCE

Several professionals observe that the federal government is looking out at a proving ground, because there is more action in the states and cities.

Millie Island, Toniio Shock. This is the age of risk. Or is it?

"We live in a less and less risky society, and yet we're more and more anxious about it," says Edward Burger of Georgetown University's Institute of Health Policy Analysis.

A Harris poll found that more than three of four Americans believed that life was riskier in 1980 than 20 years earlier.

"How extraordinary!" wrote Aaron Wildavsky, political sci-

entist at the University of California at Berkeley and coauthor of "Risk and Culture." He adds, "The richest, longest-lived, best-protected, most resourceful civilization, with the highest degree of insight into its own technology, is on its way to being the most frightened."

Short Takes

Bugs. The crusty, chewy, doughnut-shaped rolls brought to the United States by Jewish immigrants from Eastern Europe at the turn of the century, are becoming a national food. Production is up from six million a day two years ago to eight million now. Murray Lander, who is opening a 150-yard-long (137-meter-long) bread bakery in Matteson, Illinois, estimates that 80 percent of his customers are not Jewish. The market can only grow: four of five Americans have yet to try bagels.

After a double-decker bus swashed into a railroad trestle this month in Bloomfield, New Jersey, killing one passenger and injuring another, the driver, Robert L. Smith, 54, said he was following a single-decker bus and that he was "double-decker." "I never gave it a thought," the police said he would be charged with careless driving.

—Compiled by ARTHUR HIGGINS

The Age of Anxiety

And How It Grew

Acid Rain. AIDS. Asbestos. Challenger. DDT. Dioxin. Muggers. Terrorists. Three-

Reagan Urged to Name New Adviser on Science

By Boyce Rensberger

Washington Post Service

PHILADELPHIA — The leaders of the largest scientific society in the United States have sharply criticized the Reagan administration for failing to name a permanent White House science adviser since the post became vacant in December.

The officials of the American Association for the Advancement of Science said the White House soon would face a number of major science and technology decisions but has no mechanism to ensure that the president and his staff get sound, independent scientific advice.

Perhaps the most immediate scientific issue facing the nation, the leaders said, is how best to revive the space program.

This involves such questions as whether to build a new shuttle vehicle, which is based on 1970s technology, or press on with the "trans-atmospheric vehicle," a new kind of space plane, and whether to rely more on automated unmanned rockets.

Other questions include whether and how to proceed with the president's Strategic Defense Initiative for a space-based missile defense program and how fast to build the next generation of atom smashers that physicists need.

"I'm very worried," said William D. Carey, executive officer of the society, which is holding its 152nd annual meeting here. "We've

got all these pressing science policy questions coming up and no independent source of scientific advice in the White House. I think it says something about the way the White House values scientific input."

Until the end of last year, George A. Keyworth II was director of the White House Office of Science and Technology Policy. He resigned to become a private consultant.

His deputy, John P. McGowan, was named acting director, but he left last week to become head of research at Ford Motor Company. Richard G. Johnson, an assistant director in the office, has been named acting director.

David A. Hamburg, chairman of the board of the scientific society and president of the Carnegie Corp. of New York, said there have been several apparently futile attempts by leaders of science and industry to prod the White House into action.

Mr. Hamburg said the White House needed "a world-class scientist" who could command the help of a variety of researchers outside government to give expert and impartial advice.

The science adviser, he said, is the only one who can give the White House the kind of overview it needs to "perform an independent evaluation job," resolving competing claims for funding and recommending decisions on national policies that have a scientific base.

PIAGET

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Nebraska Lifts Controls On Telephone Rates

By T.R. Reid

Washington Post Service

LINCOLN, Nebraska — Nebraska has sparked a new wave of telephone deregulation that could raise local phone bills as it spreads from state to state.

In a move that stunned the telephone industry and consumer activists, the Nebraska legislature last month approved a new deregulation of local telephone service for residences and businesses. The law will phase out the rate-setting authority of the state Public Service Commission.

The telephone company will no longer need government approval to increase monthly phone bills, even in areas where there is no competition, such as local service to residences. Nebraska's law is the most far-reaching manifestation of a trend some analysts are calling Phase 2 of telephone deregulation.

The first phase, culminating in the breakup of the Bell System in 1984, ended most regulation of long-distance rates and telephone equipment prices. But that big change left most local rates and services under control of state utility commissions.

Phase 2 is aimed at dismantling utility commissions, leaving all phone rates up to the market. This initiative is being pushed by the seven "Baby Bell" holding companies that took over local phone service after the breakup.

Nebraska is the first state to deregulate all aspects of the telephone business, including residential service. Fourteen other states have approved some form of local telephone deregulation, and statutes based on the Nebraska model are pending in two dozen other legislatures, according to a survey by the Institute of Public Utilities.

"The concept is one that is going to spread," Gene Kimball, president of the Consumer Federation of America, said. "Local phone rates are going to go up as more states move toward local deregulation."

"We see Nebraska as the standard for every state," said Jack A. MacAllister, president of U.S. West Inc., the holding company covering the Plains and Rocky Mountain states. "Our basic position is that there's a new competitive market in telecommunications across the board and in that climate you don't need or want government control of the market."

The new laws generally have phased out state control over business services, where there is a competitive market in most places. Nebraska went further. It decontrolled even noncompetitive "basic exchange service," that is, the standard residential phone.

The Nebraska law retains some state control for a five-year transition.

Thrift Banker Pleads Guilty To Embezzling in Maryland

The Associated Press

BALTIMORE — Jeffrey A. Levis, the savings and loan officer who was at the center of Maryland's thrift crisis last year, pleaded guilty Tuesday to the theft or misappropriation of \$14.6 million from the Old Court Savings & Loan Association.

Mr. Levis, 43, admitted to all 12 felony theft charges and 13 misdemeanor misappropriation charges against him. Sentencing by Judge Edward J. Angelotti was delayed until Jan. 30 for violating a court-ordered limit of \$1,000 a week on his personal spending.

Attorney General Stephen H. Sachs said he would ask for at least 25 years, with more if Mr. Levis refuses to make full restitution. "Our goal is a long prison term for Levis and whatever else it takes to induce him and his family to pay

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Confidence Votes Fail In Israeli Debate on 1984 Security Affair

The Associated Press

TEL AVIV — Israel's attorney general, Yitzhak Zamir, said Tuesday that he was determined to prosecute the nation's internal security chief despite what he described as "severe pressures" to drop the case.

The security chief allegedly suppressed information indicating that Israeli soldiers had killed two Palestinian prisoners who had been hijacked an Israeli bus.

Parliament debated four confidence motions presented by small opposition parties over the coalition government's handling of the affair. [The motions failed, United Press International reported.]

Mr. Zamir said in a telephone interview broadcast by Israel Radio that he was withstanding "the most severe pressures" ever brought upon him.

Mr. Zamir made the statement after the cabinet decided Monday to leave the chief of the security organization, Shin Bet, in office for "the time being," Israel Army Radio reported. The head of Shin Bet is not identified by Israeli news organizations for security reasons.

Mr. Zamir indicated that the pressure was coming from Prime Minister Shimon Peres's government, although the cabinet spokesman, Yossi Beilin, has denied that any attempt was made to force Mr. Zamir to back down.

The Shin Bet chief is suspected of suborning witnesses during investigations into the killing of two Palestinian prisoners who had been hijacked an Israeli bus.

Initial army statements said the two died of injuries on route to a hospital, but subsequent investigations determined they had been beaten to death during investigation. An army commander was reported to have been killed.

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Nigerian Student Deaths Rise to 19

A man lies wounded in a Lagos street as police clash with students demonstrating in sympathy for their colleagues at Ahmadu Bello University in Zaria. The death toll at 15 universities was reported at 19. The students are protesting a decline in educational facilities due to the oil slump.

SINGAPORE: Export Curbs Are Urged

(Continued from Page 1)

know-how for both civilian and military applications.

One local official stressed that Singapore, which is staunchly anti-Communist and generally has good relations with the Reagan Administration, agreed with the United States on the need for controls.

"But," he added, "we think it can be done under our own laws and regulations."

The U.S. Embassy in Singapore declined comment.

Analysts say the U.S. focus on the Far East reflects two power trends.

One is that high technology production has spread extensively over the past decade from the West and Japan to the rapidly industrializing nations of the Far East.

The other is that the Paris-based Coordinating Committee for Multinational Export Controls, which screens sales of militarily sensitive

items from 15 Western nations and Japan, has tightened its regulations.

Diplomats say Washington fears that what it regards as inadequate controls in non-Communist countries of the Far East — countries that have imported large amounts of advanced equipment and attracted high-tech investment from the West and Japan — may provide an easy way for the Soviet bloc to circumvent controls.

However, American and other Western officials have said that they have no evidence so far of any diversion through Singapore of militarily sensitive high-technology material to the Soviet Union.

The U.S. Defense Department study said the Soviet Union has diverted thousands of different items of high technology in the past two decades, totaling perhaps billions of dollars in hardware value alone.

"The Soviets," the study said, "have arranged, through various means, to obtain a diversion route to Singapore."

Singapore's exports of electronic products and components, mainly from local subsidiaries or affiliates of U.S. European and Japanese multinationals, leaped about 50-fold, from \$83 million in 1970 to \$3,901 billion in 1985.

Procedures that took effect in January 1985 give the Pentagon the power to delay or reject a number of categories of products, if these are destined for countries suspected of allowing diversion to the Soviet bloc or are judged to have inadequate controls.

The initial list included Austria, Finland, Hong Kong, India, Libya, Liechtenstein, Malaysia, Iran, Iraq, Singapore, Spain, South Africa, Sweden, Switzerland and Syria.

TRADE:

Strange Alliances

(Continued from Page 1)

Carolina, where the state's textile industry has been battered by foreign competition. All five Republican House members from North Carolina voted for the Democratic trade bill.

The Sanford-Broyhill race is viewed as one of several that ultimately could determine control of the Senate, which the Republicans now hold 53 to 47.

Mr. Coelho is betting that trade, with its links to falling industries and joblessness, will also be an important factor in a number of House races this fall. He has been trumpeting the issue since last summer, when Jim Chapman, a Democrat, won a special congressional election in Texas against a Republican opponent who said he failed to see the connection between international trade and prosperity in east Texas. The voters made the connection for him.

"Do you think we have them on the run a little bit?" said Mr. Coelho.

SNORE: Doctors Are Concerned

(Continued from Page 1)

while, then become silent while they struggle unsuccessfully to breathe. After several seconds, they partially awaken and resume breathing with a loud moan, often accompanied by body spasms and flailing limbs. Some patients' breathing is obstructed for 30 seconds or more at a time, hundreds of times a night. They may spend more than half their sleep time without breath.

The lack of oxygen and struggle for breath during apnea can also damage both the heart and the lung. In many cases, the rhythm of the heartbeat is disrupted, and the levels of oxygen and carbon dioxide in the blood are abnormal.

Many victims suffer morning headaches, an inability to concentrate, or other mental deterioration, and such significant personality changes as depression, moodiness, irritability and aggressive behavior, according to Dr. Richard E. Walsdorf, assistant professor of medicine at Georgetown University medical school.

Apnea might also account for the sudden deaths in bed of 2,000 to 3,000 people a year in the United States, Dr. Fairbanks suggested. Dr. Miller said he suspected that apnea might be responsible for many nighttime medical catastrophes, such as strokes and heart attacks.

Severe cases of obstructive sleep apnea or snoring can be treated by surgery, a pressurized face mask, or, to some extent, drugs, the experts said.

The most recent surgical innovation, known as uvula-plasty-pharyngoplasty, seeks to widen and stiffen the throat by removing and tightening tissue in the upper airway. The operation, introduced in the United States in 1980, works in about half the severe cases, Dr. Fairbanks said. Life-threatening cases are given tracheostomies, a surgical procedure in which a hole is cut into the throat below the obstructed area.

Surgery can sometimes be used to remove tonsils and adenoids, or move the tongue forward or reduce its size.

CREDITOR:

Japan Is Leader

(Continued from Page 1)

pected to rise, despite the higher yen and a slowdown in the Japanese economy, and as businesses increase overseas investments.

The ministry said Japan had \$477.7 billion in gross external assets last year, up 28.3 percent over 1984. They included portfolio holdings, factories and loans.

Direct investments such as factory construction were up 16 percent but accounted for only 10 percent of total holdings, still lower than the 26 percent recorded by the United States in 1984.

The United States still led in gross external assets at the end of 1984, the last year available, with \$917.4 billion, followed by Britain at \$712.2 billion. Japan had \$341.2 billion.

However, in 1984, Britain led creditor nations with net assets of \$85.1 billion, followed by Japan at \$74.3 billion. West Germany at \$53.2 billion and the United States at \$28.3 billion.

SAKHAROV: Altering His Role

(Continued from Page 1)

hydrogen bomb, dates his differences with the Soviet leadership to 1961 when he tried unsuccessfully to persuade Nikita S. Khrushchev, who then was the Communist Party chief and prime minister, not to conduct an atmospheric nuclear test because of radiation dangers.

Mr. Bonner, who signed a pledge before leaving the Soviet Union for heart surgery last December that he would not talk with the press, said Tuesday that he hoped after her return to the Soviet Union next Monday to spend a few days in Moscow.

"But I think that they will put me in a special plane and fly me straight to Gorky," she said.

Mrs. Yankolevich said that her mother made her promise not to talk to the press when Mr. Sakharov was in hospital being forced during a hunger strike last September.

"She wrote a statement saying that she would not talk to the press but it was not addressed to anyone," she said.

FAMILY: 117 to Emigrate

(Continued from Page 1)

involving Americans with Soviet spouses who have not been allowed to come to the United States and 20 cases involving people with dual nationality.

The Soviet Union condemned on Tuesday a U.S. veto of a final document at a conference on East-West contacts as an "unexpected blow."

The move angered American willingness to ignore European allies and to block increased contacts with Communist countries, the Foreign Ministry spokesman, Vladimir B. Lomozko, asserted.

Mr. Lomozko said that the United States had diverted agreement at the Bern conference on contacts and human rights with its last-minute veto on adoption of a compromise document by the 35 participants.

"I'm a bit more hopeful than in the previous years," she said. Mrs. Yankolevich said that she did not think that her stepfather, a central figure among dissidents in Moscow in the 1970s, would resume such a role and attract official displeasure.

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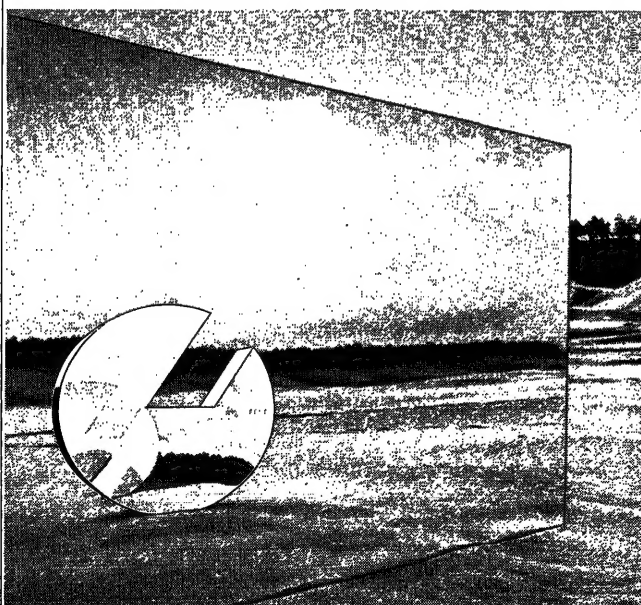
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INSIGHTS

In Presidential Elections, as the South Goes, So Goes the Nation

By David S. Broder
Washington Post Service

ATLANTA — The simple secret of American presidential politics in this era, recognized by few politicians and even fewer voters, is this: As the South goes, so goes the nation.

In every presidential election since 1956, the candidate who has won the largest number of electoral votes in the 11 Southern states has walked into the White House.

That is true of no other region. The Midwest and the West voted for losers in 1960 and 1976; the Northeast, in 1980. But not since the Dwight D. Eisenhower-Adlai E. Stevenson contest in 1952 have Dixie voters ended up on the losing side.

If the South finds itself setting the fashion for the nation a century after the Civil War, its taste is fickle. No party has been able to win its support more than twice in succession, and with its restless spirit, the South has supplied more votes to third-party candidates than any other region.

That is just one reason both parties are focusing an increasing portion of their resources and efforts on gaining and holding the high ground in the South. Southern political battles in the next 30 months will determine not only the leadership of the region but also the likely direction of the nation and its government as well.

THERE are powerful cross-currents tugging Southern politics in opposing directions. Republicans are winning in the metropolitan-area bedroom communities and the interstate corridors where most of the South's growth has been channeled. But Democrats are strongly rooted in the rural counties and the increasingly black big cities. Where they can keep their biracial coalition intact — and in many states it is fraying badly — they can still prevail.

Clues to the future direction of the South are likely to come in three stages.

• This November's midterm elections will indicate whether Republicans can hold the gains they have made in the Reagan years, particularly by the four Southern Senate seats they won on his 1980 coattails and the eight House seats they picked up in 1984. The elections will also measure the Democrats' ability to withstand a major Republican effort to crack the near-solid Democratic ranks of governors.

• Stage two will focus on the new Southern "super primary" in March 1988, when at least seven and perhaps as many as 10 of the Dixie states will pick national convention delegates in the same week. That will be as much of a contest for the party loyalties of Southern voters, most of whom are free to pick between the Democratic and Republican primaries, as it will be a battle between presidential rivals.

• Finally, in November 1988, the South will declare its presidential allegiance for the post-Reagan era, and, not so incidentally, elect five senators and a host of state and local officials. When those returns are in, it may be possible to say who has won the heart of Dixie.

It is a crucial question, because the former Confederate states will have even more leverage on the nation in the 1990s. Projections indicate that the 11 states from Virginia west to Texas will gain 10 House seats and electoral votes after

the 1990 census, giving them 126 of the 218 seats needed for a simple majority in the House and 148 of the 270 electoral votes necessary to win the presidency.

Even in this year's midterm elections, the Southern prize is large. The 11 Southern Senate seats — four held by the Republicans — and seven governorships, all but one now in Democratic hands, make the region a prime focus. In 1984, nine of the 22 House seats which changed hands were in the Southern states. Many of them will be battlegrounds again.

The Republicans have done well in Southern states since Ronald Reagan's first run for the White House in 1980, gaining four Senate seats, 13 House seats and hundreds of other offices down to the courthouse level. As a result, Republicans have counted on Mr. Reagan's momentum to carry them further, at least as long as he occupies the White House. But that assumption is increasingly in doubt.

In east Texas last August, Republicans went all-out to win a rural House seat left vacant when Mr. Reagan appointed a conservative Democratic incumbent to the state Republican ticket. But another Democrat, Jim Chapman, won the special election by 1,524 votes and this year has no Republican opponent.

Last fall, Mr. Reagan crossed the Potomac into Virginia, which had given him 62 percent of the vote, to campaign for the state Republican ticket. But Democrats swept the three top statewide offices by wide margins.

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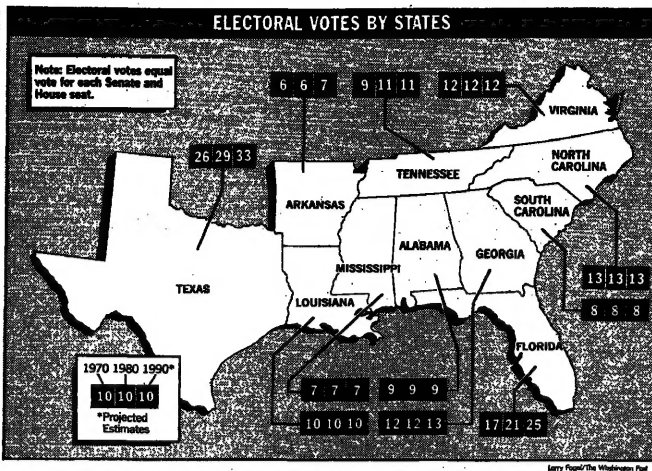
By contrast, the only two Southern Democratic senators seeking re-election this year, in Arkansas and South Carolina, escaped challenges from well-known Republicans. The main Senate bright spot for Republicans in the South is in Louisiana, where Representative W. Harrison Moore, a Republican, has been leading Representative John B.reaux, a Democrat, for the seat of the retiring Democratic senator, Russell B. Long.

Lee Atwater, a political consultant who played a key role in Mr. Reagan's two campaigns in the South, said, "If we have major losses in the Southern Senate races in 1986, it will be hard for us to maintain there's been any realignment."

The opportunity for Republican gains can be found in the state battles, especially the contests for governor. State government is increasingly important in the South, as elsewhere, as governors and legislatures struggle with challenges in education, economic development and environmental protection.

The Republicans are only marginally involved in that effort today. Even after the gains of 1984, they held only one of every five legislative seats in the South. Except for James G. Martin of North Carolina and Lamar Alexander of Tennessee, the Southern governors are all Democrats.

Mr. Atwater called the governorships "the



Southern political battles in the next 30 months will determine not only the leadership of the region but also the likely direction of the nation and its government as well.

most important missing piece in the realignment puzzle for Republicans." William Hamilton, a Democratic consultant who is involved in several contests for the Senate and statehouses in the region, said he agreed. "The governor's office gives Democrats access to the business community," he said, and "without that financial base, we lose one of our vital advantages in the South."

Republican gains in the legislatures this year are likely to be modest at best, and in such states as Georgia and North Carolina, Democrats are seeking to erase beachheads Republicans won on Mr. Reagan's coattails in 1984. But there is a major — if uneven — Republican thrust on the governorships. Democrats are strongly favored in Arkansas and virtually unchallenged in Alabama and Georgia.

But in Florida and South Carolina, where popular, two-term Democratic incumbents are stepping down, Republicans are bidding strongly to win governorships they have held only once since Reconstruction. That is true in Texas as well, where a former Republican governor, William P. Clements, is in a rematch with Governor

Mark White, the Democrat who ended Mr. Clements' breakthrough after one term in 1982. If Republicans can annex any or all of those states, while holding Tennessee, where a former Republican governor, Winfield Dunn, is a slight favorite to succeed the retiring Mr. Alexander, it would give them a real presence in the South. The problem is that Democratic primaries for governor — such as those being fought in Alabama, Florida, South Carolina and Tennessee — tend to strain a coalition already weakened by black-white divisions.

BEYOND this year, 1988 provides a double test for both parties, first in the Southern-dominated super primary and then in the general election. Under the prodding of Democratic legislative and party leaders, seven states have joined the trio of Alabama, Florida and Georgia, which already held their presidential primaries on the second Tuesday in March.

In the South, Mississippi and Tennessee and the border states of Kentucky, Missouri and Oklahoma have shifted to primaries on that

date. Virginia has decided to move its caucuses to Saturday of the same week, the same date the South Carolina Democrats have chosen. The Republican date is not settled. Legislation moving the Maryland primary date to mid-March is awaiting the governor's signature.

Arkansas, North Carolina and Texas are expected to consider a similar shift in their next legislative sessions and there is strong support for the move in these states as well. The prospect is that there will be a formidable bloc of votes — close to 60 percent of those needed for nomination, based on the last delegate apportionment — in the Southern and border states that week.

There are two questions about the effect of the Southern super primary: its impact on the expected nomination fight in each party and its implications for the relative strength of the two parties in the South.

The state Democratic leaders who have pushed it have done so in hopes it will enhance the nomination chances of a moderate-conservative and perhaps a Southerner, someone who could carry their states in November 1988 or at least not drag down the state and local ticket.

Many northern Democrats, including the party chairman, Paul G. Kirk Jr., in surveying the recent failure of nominees from north of the Mason-Dixon line, have agreed that the Democratic ticket needs a Southerner on it in 1988. But there is great debate whether the super primary will have the desired effect.

Some say it is made to order for Charles S. Robb, the former Democratic governor of Virginia, or Senator Sam Nunn, a Georgia Democrat, but so far neither has mounted a preparatory presidential effort.

Others think that whoever wins a plurality victory in New Hampshire, however liberal he may be, will ride an unstoppable wave of publicity into the Southern primary two weeks later. Still others think that if four or five credible white candidates are competing in the South, the Reverend Jesse L. Jackson can be the ultimate beneficiary of this new wrinkle in the nominating system.

Similarly on the Republican side, even though Vice President George Bush appears now to have the backing of most party leaders across the South, the prospect of a Dixie super primary has been welcomed by everyone from Marion G. Robertson, a conservative evangelist, to the moderate former Senate majority leader, Howard Baker of Tennessee.

QUALLY important, though less discussed, is the impact the Southern primary may have on the Republicans' efforts to gain the long-term adherence of Southern voters. A central part of that drive is to convince Southerners that they will not miss out on most of the action in the Democratic primary. In 1988, thanks to the super primary, Republican parties across the South will offer moderates and conservatives the chance to help pick Mr. Reagan's successor, at least as the Republican nominee and perhaps as president.

In eight Southern states — Alabama, Arkansas, Georgia, Mississippi, South Carolina, Tennessee, Texas and Virginia — there is no party registration to serve as a barrier. Perhaps most Southerners will remain loyal to the party of their parents and vote for a regional or ideological soul mate in the Democratic primary, as the promoters of the super primary hope. But if they find the Democratic choices anointed by New Hampshire less than appealing, there is a chance of a mass migration to the Republicans primary that could significantly and permanently affect those voters' party identification.

Ultimately, of course, the test will occur in November 1988, when Southerners will look at the nominees of the two parties and decide which comes closest to their ideal.

Only Virginia among the Southern states has voted the same way as many as three successive times in the presidential elections between 1968 and 1984. Having gone nearly unanimously for Mr. Reagan in 1980 and down the line for him in 1984, the Dixie states may be ready to bolt. If the South really gets to pick the 1988 Democratic nominee, and if that person is a Southerner, the history of the two decades say the odds are 2-to-1 that the Democratic nominee will be elected.

But if Republicans sweep the South again in 1988 and then begin using their base in state and local offices, the Democrats could find themselves facing real two-party competition such as the region has not known since the Civil War.

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Written by Dornier.

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مكة امنه لاص

France: Starting Again

IN THE NEWS

Financing Fashion

On the Stock Market

Fashion houses are finding new ways to boost exports and enter the U.S. market. In the last year, three designers have registered their young companies on the Lyon stock exchange—Alain Mauboussin, a sportswear house, and two shoe companies, Stephane Kelian and Chausserie. Mauboussin's shares have reached a high of 600 francs and Kelian's 545 francs.

Peugeot Pulls Ahead

Peugeot, the second-largest French car manufacturer, has overtaken state-owned Renault to hold 33 percent of the domestic market, compared to Renault's 32.5 percent. Peugeot director, Philippe Calvel, who took over the company in 1983, has announced a 10-percent rise in gross sales and a 7-percent rise in productivity.

Auctioning Off Lucrative Airwaves



French airtime is up for auction. The state's oldest and largest television network, TF1, will be the first station to be privatized, in accordance with the government's broadcasting deregulation policy. Two press groups, Hertz and Hertz-Metro, have both put in bids to acquire the station.

Videotex a Boon

Businesses are cashing in on the nationwide videotex network, Minitel, which was launched by the government telecommunications authority in 1981. About 1.5 million video-terminal and telephone units have been distributed free of charge to households and offices. The trump card to the private sector has been the "Kiosque" service, costing 62 francs an hour—two-thirds goes to the service provider and the rest to the government. In the past year, 800 services have been created, from want ads to dating services.

New Office Defends Francophone Identity

Prime Minister Jacques Chirac's cabinet includes a new state office charged with defending the French community's identity. Lucette Michaux-Chervy, a lawyer from Guadeloupe, will head the Francophone office. Its chief responsibilities will include increased funding to French schools abroad, the promotion of French cultural and audiovisual industries, the creation of worldwide French databanks and computerized editing in French.

Cynthia Gutman

AN INTERVIEW WITH MITTERRAND



President François Mitterrand during an interview at the Elysée Palace.

Executive Power in Reserve

President François Mitterrand, in his first comprehensive interview since the March 16 legislative elections, outlined his views on a wide range of domestic and international issues. The 1½-hour interview, which came amid growing political tension with the conservative government of Prime Minister Jacques Chirac, was conducted in French by Axel Krause, economics correspondent of the International Herald Tribune. Following are excerpts from the interview.

How has the balance of power been changed in France since the March 16 elections?

MITTERRAND: There has been some confusion about the constitution, in light of today's changed situation. We have gone to a system of alternating majorities, or "alternance." It has happened twice since my election to the presidency. The first time, it gave me a majority. The second time, it took it away. My political action was modified. My constitutional prerogatives are the same.



French Dispatch

And your role?

MITTERRAND: I repeat, read the constitution. Given what is written in the law, and in light of practices started in 1958 and 1962, along with a parliamentary majority, the president exercises

power that is, in fact, indivisible. Without that majority, he keeps his powers and his constitutional prerogatives. Practices that go beyond the texts of the law are out. And what re-emerges is an arbitral role that had disappeared.

In what manner could you use your powers to change the current balance of power?

MITTERRAND: I can dissolve the National Assembly, organize presidential elections or a referendum. I can call elections tomorrow, but I have no mania about elections. Concerning everything else, I must respect the parliamentary majority. That does not prevent me from making known my views on major questions involving the general interest, both at home as well as abroad—without discriminating, which would not serve anyone's purpose.

The key roles of the president?

MITTERRAND: The pre-eminent role of the president is in the areas of foreign policy, defense, law and order and human rights. It is not subject to electoral changes.

How do you view France's relationship with the United States?

MITTERRAND: On the whole, during the past 15 years, we have had excellent relations. However, it is sometimes forgotten that we are a sovereign state.

Do you refer to the strains with Washington over

Continued on page 11

Society in Evolution

A Rush of Change Breaks Old Molds, Bends Mentalities

'France is becoming more like other advanced democracies.'



By Joseph Fitchett

PARIS—"French people's beliefs and attitudes have evolved more in the last five years than in the previous 20, altering the old face of the nation out of recognition."

This judgment by Serge July, author of a recent biography of President François Mitterrand, encapsulates prevailing wisdom about France these days: that rapid, radical changes are transforming the nation's politics, its family values, cultural outlook and, perhaps above all, its approach to business and work.

A heady rush of change has become almost routine in France:

• When the trade unions staged their annual May Day demonstrations this year, almost nobody came.

• In a nation where wealth is often treated publicly as a slightly dirty secret, the newest pantheon of national folk heroes are the young business tycoons.

Routine enough in most other Western democracies, these trends break sharply with the class-war rhetoric to which France's political activists were accustomed and with the deep personal conservatism of most French people,

regardless of their political commitments.

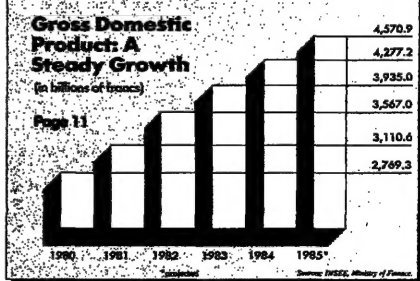
For outsiders, these changes are elusive, just as people find it hard to gauge the speed of a train coming toward them. Significantly, however, Americans and other Europeans, recent polls show, identify fewer specific French traits and see France increasingly as indistinguishable from the rest of Europe.

"France is becoming more like other advanced industrial democracies," said Nicolas Waucl, an academic authority on French affairs. A body of recent sociological work, he added, confirms the impression of changes in French society due to industrial transformation.

He cited several crucial trends: Heavy industries are decaying together with the trade unions associated with them. New kinds of work, especially service businesses, are spreading. A new breed of individualism is appearing in activities as diverse as entrepreneurship and more personal forms of spiritual activities in the churches.

The change is sometimes summed up in slightly different terms. "French people have concluded that economic power is more important than political strength, making them more pragmatic and less ideological," said Jacques Julliard, a French political commen-

Continued on page 14



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After the Election, a New Alignment

The Meaning of Political 'Cohabitation'

French public opinion is enthusiastic about the new arrangement.

By Joseph Fitchett

PARIS — Nearly 100 days into a new era of political "cohabitation," France appears to be adjusting smoothly to the practice of seeing government power shared between a Socialist president and a conservative prime minister.

"France's sure-footed start has reinforced international confidence in this country's political stability. And French opinion polls show popular leaps for the two politicians credited with making cohabitation work so far: President François Mitterrand, a Socialist, and Jacques Chirac, a Gaullist."

"But cohabitation will collapse, many French politicians predict. Some expect new elections within months."

"Cohabitation is probably only a bridge to constitutional reforms that will modernize the political process in France," said a well-placed French official.

"The official works for Mr. Mitterrand and yet has been offered a sensitive post by Mr. Chirac. Both men, he said, are trying to 'win cohabitation' — meaning that each seeks to end the uneasy partnership in a way that casts him in the best light to take full power."

"Every leader has his eye on the presidential elections because France has a tradition of strong executive power," the official said. "After this interlude with a tandem system, the appetite for stronger, clearer government will reassert itself."

"But candidates have to maneuver wilyly because French public opinion is enthusiastic about cohabitation and will punish any politician perceived to sabotage it. 'It's like a new kind of daylight in which the first one who shoots winds up dead,' said François-Olivier Giesbert, editor of the new magazine *Le Nouvel Observateur*.

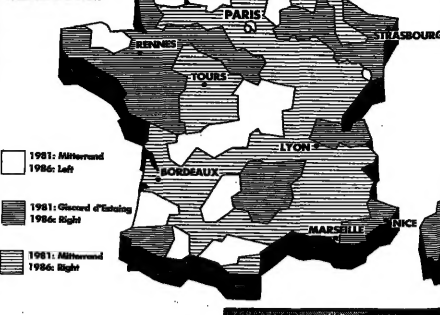
No previous president in recent French history has had to face a hostile parliament. The rules for this kind of political cohabitation are less clear in France than, for example, in the United States, where Congress is often controlled by one political party while the president is from another one.

The national stature of Mr. Mitterrand and Mr. Chirac has grown, analysts say, because they are credited with introducing a politics of civility in a country that has often been paralyzed by ideological vendettas.

JOSEPH FITCHETT is a staff correspondent of the International Herald Tribune.

Where Votes Changed Hands

On March 16, the left lost 48 departments carried by François Mitterrand in 1981.



Prime Minister Chirac, left, and President Mitterrand, confer in Tokyo.

Sensing this mood, Mr. Mitterrand and Mr. Chirac have sought to minimize the difficulties involved in governing by compromise without creating an impression of wobbly leadership. Both men have scant room for maneuver.

Only a paper-thin majority of a few seats protects the coalition government formed of Mr. Chirac's neo-Gaullist party, the Rally for the Republic, and the smaller, more free enterprise-oriented Union for French Democracy (UDF), led by Valéry Giscard d'Estaing, a former president. Mr. Mitterrand's Socialist followers have not rebounded from their defeat last March.

For the moment, the overriding political issue, in public opinion, is the survival of cohabitation, which is widely seen as a kind of political truce. "Cohabitation has overtaken of national unity, which is a hallowed cause for many French people," said Jacques Julliard, a writer on French affairs.

Since a majority of French voters appear to want less government red tape, as Mr. Chirac has promised, and also substantial social benefits, as Mr. Mitterrand says he will maintain, cohabitation is widely seen, for the time being at least, as a



form of checks and balances that guarantees a centrist approach.

"People want the politicians to stop squabbling so that the country can concentrate on the main thing: economic recovery," Mr. Julliard said this month in a talk on opinion trends in France.

Theoretically, there is a division of authority, with the president taking the lead in foreign affairs while the Chirac government handles economic affairs and the rest of domestic policy.

In fact, officials say, the Chirac government actually has primary power in almost every sector. The only presidential power that has remained unaffected is Mr. Mitterrand's control over the launch of France's nuclear strike forces. But Mr.

Mitterrand has to be reckoned with because of his ability to delay legislation, to appeal to public opinion or to force new elections.

Behind the scenes, his influence has been strong enough to modify the policies of the Chirac government, slowing its domestic reforms and limiting its impact on French foreign policy.

For example, the government's program of privatizing France's state-owned industries is proceeding more slowly than promised. The French refusal to allow U.S. warplanes to overfly France in route for Libya stemmed partly from fears among Mr. Chirac's aides that, if they advocated cooperation with the United States, Mr. Mitterrand would make it a political issue.

This form of consensus politics is starting to conflict with Mr. Chirac's need to keep his own coalition solid. Leaders of the UDF, already stung by their belief that they are underrepresented in the Chirac government, are complaining that Mr. Chirac is too cautious in office.

Some say privately that Mr. Chirac is using compromise with Mr. Mitterrand as an excuse to renege on his commitments to cut down sharply the role of the government in French life and to give business a much freer hand by deregulating many economic sectors.

On the other hand, Mr. Chirac, like Mr. Mitterrand, enjoys a strong political position because of a subtle change occurring in French political culture in which signs point to a more U.S.-style "presidential politics," Mr. Giesbert said.

Agreeing with him, Mr. Julliard said that French candidates are starting to seek broad national appeal extending beyond their party political base. "Everybody is building political machines for the presidential campaigns instead of depending on their party to bring them to power," he said.

Mr. Mitterrand's most attractive option, most analysts say, is to exploit the feeling that France needs to reform its presidential system.

The quickest way would be a referendum to shorten the presidential term from seven years to five years. In this way, the president and parliament would have the same term of office. With this system, power would be more likely to change hands at regular intervals between two great political blocs, the center-right and center-left.

Polls show very strong popular support for a constitutional reform along this line, and analysts agree that the time may be right for France to modify its system to reflect the fact that extremist parties, such as the Communists, have declined in influence so much that they no longer threaten democracy in France.

If Mr. Mitterrand proposed this change, shortening his own term and running for re-election, his appeal would transcend his own Socialist supporters to include some centrist who distrust Mr. Chirac because of his undisciplined appetite for power.

Mr. Mitterrand, if re-elected president, probably could lure away some centrist factions in the present conservative coalition with promises of maintaining the status quo.

But Mr. Chirac is buoyed by the rising economic tide — and his claims to have achieved new political maturity, attested by his performance in cohabitation.

POLITICAL PROFILES



Edouard Balladur

The minister of economy, finance and privatization, Mr. Balladur, 57, has emerged from the backrooms of politics to become the senior minister and deputy prime minister in the government of Prime Minister Jacques Chirac. He is the driving force behind the government's plans to liberalize the economy, particularly through privatizing state-owned companies. He was born in Turin and trained at the École Nationale d'Administration. Mr. Balladur ran the firm that built and operates the Météo Blue satellite and, since 1982, has been president of two affiliates of the Compagnie Générale d'Électricité.



François Léotard

At 44, Mr. Léotard, the minister of culture and communications, represents a new generation of politicians. He has been mayor of the Côte d'Azur town of Fréjus since 1977 and deputy for the area since 1978. He climbed quickly through the ranks of the Republican Party, one of the most liberal of the parties that are grouped in the Union for French Democracy, to become leader in 1984. The title of culture minister helps his power. He has built a relationship with the leaders of the traditional center-right without alienating other camps in his rivalry. However, he is popular enough to be a candidate — on his own — for the presidency in 1988.



Pierre Méhaignerie

Mr. Méhaignerie, 57, the minister of construction, housing, regional development and transport, is president of the centrist Center for Social Democrats (CDS), one of the parties under the Union for French Democracy banner. His portfolio oversees the Channel link with Britain, new high-speed TGV train routes, highways, parks and environmental protection. Although the CDS had said that it would not join a cohabitationist conservative government with a Socialist president, Mr. Méhaignerie and five other CDS members joined the coalition. He promised that he would not be an "in spite of myself" minister and his most important role could be as a critic of cohabitation.



Jacques Toubon

Mr. Toubon, 44, is Mr. Chirac's closest adviser — some call him "Chirac's bulldozer." He does not have an official government position but has been secretary-general of Mr. Chirac's party, the Rally for the Republic, since 1984 and serves as Mr. Chirac's spokesman. Their relationship began in 1971. He was chief of staff in each of Mr. Chirac's ministries and his technical adviser when Mr. Chirac was prime minister from 1974 to 1976 during the presidency of Mr. Giscard d'Estaing. He is also the mayor of a district of Paris and deputy for another. Mr. Toubon, a graduate of the École Nationale d'Administration, is considered one of the younger generation politicians with the right schooling and the right experience to influence the direction of the country.

Brigid Phillips

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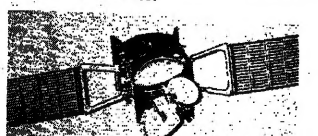
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Joseph J. J. J.

INTELCOMFRANCE

Presidential Interview

Mitterrand Is Holding His Presidential Powers in Reserve

Continued from page 9

France's refusal to grant overflight rights during the raid on Libya?

MITTERRAND: There are occasionally accidents in a relationship and it was but a small example. We are loyal and strong supporters of the alliance. France also is a Mediterranean power, with interests in the Arab world. Our interests in that regard are not necessarily identical with those of the United States. We have our own methods and ideas. Equally important, one should not forget that there are clear limits regarding the extension of the alliance outside the NATO area.

How do you view the widespread discussion in France about the need to reduce the role of the state?

MITTERRAND: In recent years, the state was interfering far too much in everything. The "bourgeoisie," which calls itself liberal, is by nature and by education dirigiste. But the course became too tight. The Socialist victory in 1981 presented a risk, because Socialists are no exception when it comes to centralization. I persevered and, with Pierre Mauroy and Gaston Defferre, played a decisive role in creating new structures. We decentralized institutions and brought many more people into the decision-making process.

Isn't that somewhat contradictory in light of the nationalizations?

MITTERRAND: Of the seven groups nationalized in 1981 and 1982, only one was already profitable, CGE. All the others were ailing.

Some were in a catastrophic situation, such as Rhone-Poulenc, Bull and even Thomson. Heads of nationalized companies were given considerable autonomy and once the goals were set, they were given a free hand to manage. Today, those that were heading toward bankruptcy are in good shape, or are recovering. Socialism is not incompatible with good management.

Do you see the reform attempts by the conservatives, since the March 16 elections, as the beginning of a revolution in reducing the role of the state in the life of average French citizens?

MITTERRAND: I do not see what you are driving at. A revolution? I have not noticed that. No, but, indeed, there will be changes.

What about their recent statements, regarding intentions?

MITTERRAND: Everyone has good intentions.

Some observers believe that some economic reforms announced by the government are simply extensions of reforms started under Pierre Berégovoy and his predecessor, Jacques Delors.

MITTERRAND: Yes, on certain points. No, on others. But what is involved are two different systems of thinking.

What about governmental plans to privatize French television?



President Mitterrand: "I have no mania about elections."

MITTERRAND: I recently went beyond intentions. I created the private sector in television and radio. But it is complementary, in my view, to a public service audiovisual sector, which I consider necessary, and has evolved into a magnificent tool.

Thus, is France changing direction?

MITTERRAND: The policy in its intentions.

as you see, is changing today and it is, naturally, very different from that of yesterday. The majority is trying to go back on what was accomplished, through the denationalizations, for example. I believe the government, in its way, is striving to do something else, to tackle the future. Intelligent and patriotic people are in power. I do not share their way of viewing things. One cannot set returning to the past as the only goal of a nation.

How can you respond?

MITTERRAND: My role is not to criticize. It is to place the government and the French people on guard about the consequences of governmental actions such as I feel they harm the rights of one or another social or ethnic group, or individual rights, and which endanger national unity. Through debating with them, [the government] sometimes in public, I hope the French people will be the beneficiaries.

Last year, you said the government's greatest failure was unemployment and that it would cost the Socialists the election. How do you view the problem today?

MITTERRAND: It is a problem. It was there before and it is there now.

Can it be solved?

MITTERRAND: We have already done a great deal in moving toward creating the conditions for recovery, such as reducing the inflation rate to about 2 percent. A great deal remains to be done. I would like France to

Highlights Of Interview

■ Politics: Under cohabitation, the president is an arbitrator. He will not directly criticize the government.

■ Libya: The United States ignored France's rights as a sovereign state.

■ Summit: Talks on terrorism were useful, but North-South issues were ignored.

■ Economy: The export gap with Germany will diminish.

become more flexible. Its structures are too rigid. In a centralized country, knowledge and responsibility should be spread more widely. But simply creating wealth is not enough—it has to be shared.

Do you feel isolated as a Socialist in Western Europe today?

MITTERRAND: Not really. Out of the 12 Common Market leaders, there are always four or five Socialists.

Is France moving to an American-style system of government?

MITTERRAND: The American system has positive elements. I see advantages, and there are some inconveniences. It has not prevented President Reagan from coming into conflict with the Congress. France is currently in a parliamentary system, even though the letter of the law has been pre-empted by practices established since 1958 and 1962. Today, the letter of the law is making a comeback. Some change is possible, but it is not for tomorrow. Experience will tell.

In the late 1960s, some observers believed France would overtake West Germany as the leading economic power in Western Europe. Is that goal realistic?

MITTERRAND: France has not positioned itself to compete with West Germany, but with all large, expanding countries. It took us more time than Germany to organize our industry, to evolve from a predominantly rural society. A major effort was made to mod-

ernize and invest in public and private sectors. But we are still behind in some areas, such as computer components. Concerning exports, Germany still has a serious advantage over us. I think that gap will diminish.

You have just returned from your sixth annual summit of industrialized countries in Tokyo. Have your views changed about their usefulness?

MITTERRAND: I have previously expressed reservations about summits, primarily because I have feared that they would, or could, evolve into a worldwide policy directorate of leading industrialized democracies. It is unreasonable making decisions when others are not present—industrialized as well as developing countries. The temptation exists. But fortunately, the summits have made considerable progress, as I believe Tokyo showed.

In what areas?

MITTERRAND: In monetary cooperation. Since 1965, there has been a recognition among most of our major partners, particularly the United States, that the prevailing disorder in the markets was causing damage to everyone. France has been pursuing a more coherent international monetary policy for a long time, and the idea is beginning to make headway. Summits also are an opportunity to discuss current problems, such as terrorism. At Tokyo, it was useful talking with President Reagan, whom I will see again July 4 in New York.

One doesn't hear much anymore about North-South dialogue, another concept which you have actively supported.

MITTERRAND: I raise the question at every summit. I am afraid in a somewhat isolated way. But there is practically no more North-South dialogue. To be fair, the European Community is very active with regard to developing countries. Its voice is heard and that is very positive.

What do you think of the Baker Plan to ease developing countries' debt burdens?

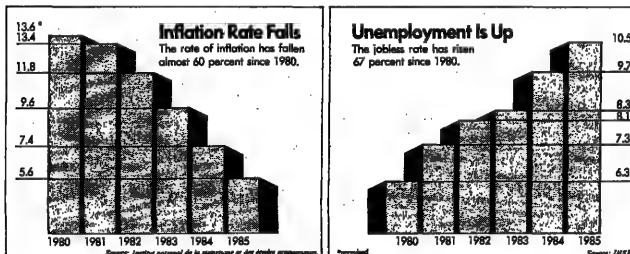
MITTERRAND: The plan certainly goes in the right direction. But it is only a sketchy answer. It is understandable that the United States has been disappointed with the failure of development, and by some inactivity.

What do you hope to accomplish during your trip to Moscow during July?

MITTERRAND: I hope it will be useful for the cause of peace. It is a return invitation by Mr. Gorbachev and we expect to be discussing the issues, which tend to be the same at these meetings you know about—such as disarmament and space.

Economic Outlook

The Economy Rebounds Slightly



By Axel Krause

PARIS — President François Mitterrand last year predicted that if the Socialists lost the March 16 parliamentary elections, it would be because of his government's failure to resolve a major problem—rising unemployment.

Today, with the number of jobs at a record 2.4 million, or more than 10 percent of the labor force, and still climbing, the conservative government of Prime Minister Jacques Chirac is trying to land at restoring growth to the virtually stagnant economy, but with decidedly non-Socialist methods.

Many political and diplomatic observers believe that the jobs issue will not only haunt Mr. Chirac's plans to seek the presidency when Mr. Mitterrand's term ends in 1988, but may also again determine who wins.

Finance Minister Edouard Balladur, one of Mr. Chirac's closest advisers, said during a recent interview: "We now have the slowest growth rate in Western Europe—we want to change that pattern by creating expansion and jobs."

"By providing freedom to the economy, while reducing financial charges and other restrictions on employers," Mr. Balladur said, "I definitely am not a dirigiste." Dirigisme signifies direct government economic intervention and control.

Since the elections, Mr. Balladur and his deputy ministers have announced a sweeping program of reform measures, starting with last month's 5.5-percent devaluation of the franc against the Deutsche mark. Follow-up moves included substantial cuts in the 1986 budget, introduction of a bill to denationalize major banks and companies, and measures to substantially relax controls on foreign-exchange transactions, industrial prices, employer layoffs and practices and on the domestic banking system. Moderate cuts in interest rates were also introduced as part of the package.

Additional measures, coming early in 1987, include a cut in the corporate income tax rate from 50 percent to 45 percent, elimination of a controversial wealth tax established by the Socialists and an amnesty for repatriation of capital from abroad, subject to a 10-percent tax. Meanwhile, the government plans to cut spending in an already tight budget by 40 billion francs (\$5.6 billion).

Brushing off criticism that the government has not moved quickly enough, Mr. Balladur emphasized that the devaluation measure was a "preliminary move aimed at stimulating investment that would trigger growth. These

and other steps, he said, represented a reform program decidedly different from the previous Socialist government of Prime Minister Laurent Fabius and his predecessor, Pierre Mauroy.

"We are committed to privatization, they [the Socialists] nationalized; we want to reduce, not increase, taxes, charges and the national debt burden; we are eliminating exchange controls and we are making decisions to reform the economy, which they did not," Mr. Balladur said. He is fond of telling visitors that following the record devaluations, foreign funds, totaling 50 billion francs, flowed into the country.

When will growth start? In cautious terms, Mr. Balladur said, it is "a wish, not a projection." That the economy would begin picking up in the autumn, reversing current sluggishness. According to the National Statistics Institute, expansion in the first quarter was rising at an annual rate of only 1.2 percent, compared with a 1.2-percent growth during all of 1985.

Many economic analysts, including those outside France, are now revising downward their predictions that the economy this year would expand by between 2.5 and 3 percent from 1985; most expect maximum growth of between 2 and 2.5 percent. Analysts also agree with the institute that unemployment will continue rising by about 200,000 this year, and by substantially more if government-backed easing of layoffs rules are implemented.

Meanwhile, France's trade deficit widened sharply in April and prices on the Paris Bourse have fallen sharply, partly in response to predictions by banks and diplomats that France shortly will face some serious trouble, occasional strikes protesting the reforms, and possibly, new elections.

The main bright spot is lower inflation. The government has projected the 1986 inflation rate at around 2.3 percent, down sharply from a revised 4.7 percent in 1985. That, according to its government and private economists, represents determination to continue the Socialists' restrictive monetary and fiscal policies started in 1983. "We do not have any choice or that issue," a ministerial spokesman said.

Foreign investors are expected to play a key role in the expansion.

But prospects for deals materializing soon have been clouded by uncertainties, such as the percentage of shares foreigners and single groups will be allowed to acquire in privatized groups and how sensitive, direct investments will be handled.

A controversial test case was the recent move by Carlo de Benedetti, chairman of Olivetti SpA of Italy, to buy the controlling interest in Valeo, an independent and ailing components manufacturer. Mr. Balladur blocked the takeover bid on the grounds that Valeo was vulnerable because of its "defense-related" activities.

Business and diplomats said the minister's reaction contradicted the government's "liberal" approach to business, noting that Mr. de Benedetti's bid also is being challenged by the French automobile industry.

Alain Minc, a former executive of the state-owned Saint Gobain group, who is directing Mr. de Benedetti's planned expansion in France, said that Valeo could become the center of an enlarged West European auto-components company. "We are talking about a major investment at a European level, not a move directly related to privatization," as the government has suggested, Mr. Minc said. "I hope it will be resolved shortly," he added.

Other pending projects being watched by investors include a \$2.2-billion proposal by Walt Disney of the United States to help build a European Disneyland near Paris and a proposed trans-Atlantic cooperative venture between state-owned Cie. Générale d'Electricité and American Telephone & Telegraph Co. Both were blocked by the Socialist government, which urged more state control. Senior officials in the Chirac government say they do not yet know how the projects will be launched, but Alain Minc, minister of industry, has promised that a decision on the COGEAT&T project will be made before the end of June.

Foreign venture capitalists also are heading for France. Among them are investors in Industry and Charterhouse of Britain, and, from the United States, Alan Pater Associates, Citicorp Venture Capital and TA of Boston (in Alpha Venture, along with Dutch investors).

American venture capitalists in France are different from what goes on in the United States. German and Japanese funds and managers charged with investing the \$25 million that Citicorp has earmarked for France, said that

among the investments is Bio-Europe, a Toulouse firm that uses natural enzymes to produce food additives. It was founded by a professor and a businessman formerly with Corning Glass. Another is Digipress, a company that makes read-only-memory compact discs for computer archives.

But in addition to these "classic" venture-capital investments, Citicorp in France is also taking a stake in a firm producing couture founded by Guy Paulin, the designer who took over from Lagerfeld at Chloé—something they will not do in Silicon Valley.

Most venture investment in France will be for amounts under 10 million francs (\$1.43 million), which is why there may be several investors. And, as elsewhere, the largest industrial concentration is in electronics and computer technology.

One legal obstacle to freeing up investment flows in France will remain the law that makes financial advisers to a company responsible to its creditors in the case of bankruptcy. For venture-capital investors, this can create a dangerous risk.

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Forming Movers of Industry And State

By Vivian Lewis

PARIS — On the campus at Palaiseau, which houses the Ecole Polytechnique, one of the prestigious *grandes écoles*, you can tell that the trees were planted by the French Army because they are perfectly lined up by rank and file. The narrow-aisle windows of the dormitories might have been designed for the Maginot Line.

The new vector of this engineering college — often called "X" because of its symbol of two crossed swords — is only too willing to stress the military theme. Bernard Eschbert believes that "the world is in a state of economic war in which all countries are battling each other. General Motors is fighting Toyota in a new form of war, in which export companies are the infantry and multinational corporations are the parachute corps. The casualties of this war are the unemployed."

He adds, "In this economic war, Polytechnique prepares the officers. Such an officer has to be professionally competent, able to lead and motivate men. He has to be creative and take responsibility."

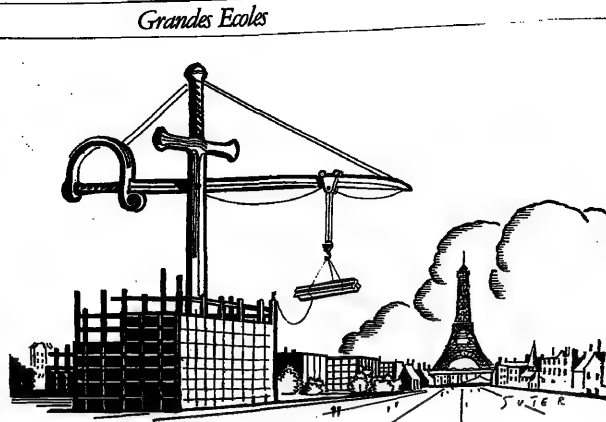
In addition, the alumni wage a second "war" with graduates of the other *grandes écoles* for top jobs in industry and the civil service. "Some jobs in France," said Maurice Guéhen, a professor of biophysics at "X," "are left to be kept for 'X' graduates; if a non-'X' applies, people are surprised."

Alumni of "X" in key positions include Jean-Loup Dossé, a vice president of the World Bank, and a former chairman of Rio Tinto Zinc; Michel Vailland, chairman of Schlumberger Ltd.; Georges Bessa, chairman of Renault; and Bernard Pache, chairman of Pictet.

Daniel Gourisse, the director of the Ecole Centrale des Arts et Manufactures de Paris, another of the *grandes écoles*, thinks the system arose because the universities, which had a monopoly on the formation of elites in the Middle Ages, failed to adapt to new needs for engineers.

To fill the gap, French governments set up specialized institutions filled by competitive national examinations to train administrators for the state.

Yet, aspects of how Polytechnique functions seem to work against producing a graduate with the characteristics of leadership and creativity that Mr. Eschbert seeks. Students have virtually no electives; the only options are for relatively brief



projects that they work on in small groups in their second year.

All of the students who are French nationals, including the women, are military officers who have done one year of basic training before entering "X" and are paid an officer's wage plus free room and board and tuition.

To win one of 300 highly sought places at the school, which is 13 miles south of Paris, students who have passed the baccalauréat exam at the end of their high school program with honors and a major in mathematics enroll in special preparatory courses, called "capes," for two years. "Capes" means in French, and the students are being crammed to take the admissions exam.

The intense competition does not end once they are admitted. "X" ranks students in order when they are graduated at

the end of the program, which includes the two years as *capes*, one year to win officer's stripes and two years to become engineers.

Today, Polytechnique graduates rarely stay in the army. Most go into the state sector, working for utilities or for nationalized companies, rather than for private firms, presumably a heritage of their tradition of public service.

Yet, Polytechnique, which was established in 1794, and older state engineering schools, most of which were founded in the 18th or early 19th century, are threatened in the job market by a newer school — the Ecole Nationale d'Administration. ENA was established in 1945 and has a different character, appealing to students interested in politics.

Its alumni have become the movers and shakers of the French administration.

They include Prime Minister Jacques Chirac, former President Valéry Giscard d'Estaing, former Prime Minister Laurent Fabius and former Minister of External Relations Claude Cheysson, among others.

Admission is as competitive as that for the Polytechnique. ENA selects entrants by an exam that most prepare for at Paris's Institut des Etudes Politiques. In their first year, students serve apprenticeships which they are graded in ministries or regional governments. The system gives them a foot in the door to government that Polytechnicians lack.

At Chateaubriant-Malabry, an only slightly less prestigious variant of French engineering education is offered by the Ecole Centrale des Arts et Manufactures de Paris. It was founded in 1829 to train engineers, not for the army, but for private business.

The director, Prof. Gourisse, stressed that the school is closer to industry and to the international pattern of education than "X." It has a three-year program, including a two-year core curriculum and a third year of in-depth work in a subject of the students' choice. The school pioneered exchange programs whereby about 10 percent of third-year students study in the United States and perhaps 10 percent more go to other countries.

The oldest *grande école* is Ponts et Chaussées, which was established in 1747. Now ones specialize in turning out aeronautical and electrical engineers.

VIVIAN LEWIS is a Paris-based financial journalist.

A Classic Case

Among the French power elite, former President Valéry Giscard d'Estaing has classic credentials: degrees from both the Polytechnique and the Ecole Nationale d'Administration. In 1974, he was elected president at the age of 48. Defeated in 1981, he now leads the Union for French Democracy, a partner in the rightist coalition.



Valéry Giscard d'Estaing

Agriculture

Hybrid Revolution in the Breadbasket

PARIS — A seed revolution is taking place in Western Europe's breadbasket — France. Merger and acquisition are abundant, as major industrial companies, often with funds coming from such nonagricultural businesses as cement or petroleum, are heavily investing in efforts to develop hybrid or genetically engineered variants of such crops as feed corn, wheat and sunflowers.

Chemical companies are trying to develop packages combining insecticide or pesticide treatment with seeds specifically developed to be able to resist this treatment.

Cleary-Luck, a major seed firm, has been taken over by Osem, a biotechnology subsidiary of Lafarge, a cement company, and it is researching new hybrids of corn. It has bought into Spain's Agros Sennels, a hybridizer of corn, grains and sunflower seeds, and into Battelle-Mella, a French seed-corn hybridizer.

Osem has bought seed specifically developed to be able to resist this treatment. Cleary-Luck, a major seed firm, has been taken over by Osem, a biotechnology subsidiary of Lafarge, a cement company, and it is researching new hybrids of corn. It has bought into Spain's Agros Sennels, a hybridizer of corn, grains and sunflower seeds, and into Battelle-Mella, a French seed-corn hybridizer.

Meanwhile, Sanofi, the pharmaceutical and biological subsidiary of the largest French oil plant, Elf Aquitaine, has also been buying seed firms or creating them. Last year, it purchased Dabigren, a sunflower-seed hybridizer in Croix-Rouge, Minnesota.

The new seed investors are trying to create varieties resistant to diseases and with special characteristics, such as early or late harvesting. These are developed using classic hybridization, especially for corn, and by protoplast fusion or genetic engineering techniques.

New methods allow multiplication or fusion of cells, transfer of genetic material, and production of cultures from cells from a root, stem or bud. Other techniques grow new plants from cells from an artificially induced callus-like growth on the stem of a plant.

These highly complex seed development techniques are costly, which is why the big companies have taken the lead in developing them. New varieties enable increased acreage to be planted in regions where the crop could not grow before or where it was impossible to increase yields or quality.

Sanofi's seed business, grouped under the Rustica label, is not confined to grains. The company has been developing new varieties of peas and selected oats as well as forages, brome, pastures and grasses.

Biological development plant varieties are often based on haploids, plants developed asexually and which only have a single set of chromosomes. These are then treated with colchicine to double the number of chromo-

somes, but since both pairs are identical, the varieties are more firmly fixed.

Other techniques widely used remove callusoid coatings from cells, usually with a chemical agent, so that they can be fused in a test tube. This enables species to be crossed to create a new genetic variety.

Elf got into biotechnology through pharmaceuticals in the early 1970s. René Sauter, the president of Sanofi, said: "We picked a sector with high growth and need for capital. Now we generate enough earnings so we no longer need funds from our parent company."

PARIS — American supplies of the Chablis-and-Brie set nearly decided to give up their French cheese following the discovery early this year of contaminated imports and now have to be persuaded that stocks of the imported cheese are contaminated with a bacteria called *Listeria monocytogenes* led to a "Brie California-made Jalapeno-style" cottage in California and six deaths and stillbirths in California and six deaths in other states.

Brie stocks were recalled and other states banned pending further tests and tighter control procedures for the pasteurization of the milk used in making the cheese and for the labeling of exports.

Vivian Lewis

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Technology for Europe ■ Disorganized Labor

Dispelling Myths About French R&D

Compared with most other industrialized countries, France has lost ground.

By Axel Krasse

PARIS — Most French citizens proudly regard Ariane, the West European space launcher, as the ultimate success in France's drive for dominance in research and development. Several recent highly critical reports stirring intense debate within the new conservative government have drawn little public attention. These have been the following:

The successful launching of Ariane, the space launcher and other high-technology projects do not distort and hide France's growing vulnerability, notably in the commercial, non-military sectors of research, such as biotechnology, France's aerospace and electronics industries still absorb about 65 percent of government research spending.

Seven out of 10 engineers and managers in the French industry firmly believe their companies simply did not know how to create a state favorable to research innovation, according to the Organisation for Economic Co-operation and Development. Average U.S. companies spend eight times more on research and development than their French counterparts.

Compared with most other industrialized countries, France has lost ground steadily since the 1970s. An annual competitiveness ranking by the non-profit European Management Forum in Geneva placed France last year dropped to 19th place from 15th place in 1984, followed by Japan, Italy and Brazil. West Germany ranked in fourth place. The United States led to No. 1 position.

Spending on research in France was tied to a record 6.2 percent of gross domestic product in the mid-1960s, but slowly fell to under 2 percent in the next decade. Starting in 1981, the level was increased under the Socialist government to its current level of about 2.5 percent. Nonetheless, prospects for triggering a new wave of innovative research have been dashed as bleak by Jean-Jacques Salomon, a tech professor, who last year wrote a major new book of French technology for former Prime Minister Laurent Fabius.

Indeed, the fundamental problems block-reforms are structural, which all the reforms warned are deeply rooted in French culture and society. Involved are continuing on "top-down strategies," which reinforce the "corporatist" or "clique" nature of

the French research establishment. That, in turn, perpetuates what the OECD termed "the cleavage between research, education and industry."

The new conservative government of Prime Minister Jacques Chirac, currently seeking ways of positioning France for economic growth, has reaffirmed that continuing West European cooperation in high technology is a crucial prerequisite for success in industrial innovation. Several ministers recently said they supported the expansion of the Ariane and Airbus programs and the participation by French companies in the U.S. Strategic Defense Initiative.

But some large projects have been clouded by uncertainties, such as Europe's West European program launched last year by President François Mitterrand, and several proposals to launch French-German space and military projects.

Diplomatic officials and research planners from European Community countries, speaking privately, also have questioned the apparent downgrading of the ministerial post for research. In the previous government, Hubert Curien was a full-fledged minister for research and technology. Under Mr. Chirac, Alain De-vaquet holds the rank of deputy minister and has been attached to the Ministry of Education, and his budget this year and in 1987 will be cut substantially.

An EC official said: "It seems to be a signal for less direct government in R and D under Chirac. We are taking a well-earned attitude."

Since the March 16 elections, the new, reform-minded Chirac government has been under intense political pressure to translate its campaign promises into some form of reality. As Mr. Chirac recently conceded in a speech to the National Assembly, "The people want change now." What that means, according to government planners, is shifting research away from government-controlled industrial companies into the private sector.

Tax incentives will be used to stimulate company research, and ties improved between universities and industry, the planners say, while acknowledging the difficulties. Echoing the conclusions of the recent reports on the state of French technology, Alain Madelin, the 40-year-old minister of industry told L'Expansion, the French business magazine, that "It is not true, alas, that France has



Ariane being launched at Kourou, Australia's Auspat satellite, right.

advanced during the past few years. To the contrary, we have fallen back."

Meanwhile, Mr. Madelin and other officials have emphasized that implementing reforms will be slow and will be linked to the planned return to private ownership of large, state-owned companies and banks, with the gradual phasing out of subsidies, including in the field of research. He says it is absurd that the amount of aid to companies about equals what they pay in taxes.

Are there any success models? Clearly, some leading companies and research institutes in the private and state-controlled sectors are doing well and are regularly cited by

government planners as examples. They include: CIT-Alcatel in telecommunications, Matra and Thomson in electronics, Peugeot in automobiles, Dassault in aircraft, L'Oréal in consumer products and Cap Gemini in computer software.

"These companies are among those innovating in research and we hope others will join in, but hopefully without extensive and direct government help," said one of Mr. Chirac's advisers.

Unions Try to Recoup Losses, Redefine Role

By Brigid Phillips

PARIS — French unions have just experienced five years of Socialist government that should have been a heyday for the cause of labor. Instead, unions face dwindling membership, disunity and a psychological struggle over the very future of organized labor in the age of high technology.

In France, as in many Western countries, the advent of computer-age technology and economic recession has eroded trade union strength. Union leaders in France began taking stock of their losses about 15 years ago. But they have been longer in taking action.

"Have we moved fast enough to respond to the changing world? No," said Alain Obadia, of the Confédération Générale du Travail (CGT), France's biggest and pro-Communist union. "It has taken a very long time for the rank and file to adapt to a new age and a new way of thinking and break out of the old mold of labor-management relations. The first real progress has only been in the past two years."

That failure to evolve has had its effects. The International Labor Organization estimates that union membership in France is about 15 percent of the labor force, lower than any Western country except Spain and Portugal. The unions themselves acknowledge heavy losses. The CGT says its membership is about half what it was five years ago, and other groups have lost up to 30 percent.

The Socialist-leaning Confédération Française Démocratique du Travail (CFDT), the second largest of the country's five main unions, believes that much of the loss has been part of the hemorrhaging suffered by all large organized groups, including the church.

"People have stopped caring about flowery speeches and just want action on issues that affect them directly," said Daniel Croquette, who heads the CFDT's engineers' federation. French unions tend to be closely linked to political parties. They do not provide many special services to members, such as trips, inexpensive loans or subsidized housing, and their negotiated benefits apply to members and nonmembers alike. "You get it whether you pay for it or not. That's French unionism," said Mr. Croquette. "So people don't join."

The CGT lists the same problems and adds another — socialism in power. "The situation for labor is worse now than it was five years ago," said Mr. Obadia, secretary-general for engineers, managerial staff and technicians at the CGT. "We have lost purchasing power, there is more unemployment. So now there is a fatalism, a spirit of resignation. It is a feeling that if unions could not even improve things under the Socialists, what hope is there. The Socialist government turned its back on its decision promises to labor and, in the end, played a negative role."

The Socialist government won office in



CGT in action in Normandy

1981 on a platform that set the creation of jobs as a priority. Two years later, it turned instead to controlling prices and massive layoffs in failing, state-owned unprofitable industries — the heartland of organized labor.

The Socialists passed one landmark piece of labor legislation, however, in 1982. The package, called the Auroux Acts, gave more benefits and protection to union representatives and forced bigger firms to involve unions in discussions on working conditions and pay. Employers, however, have said that the law was an unworkable attempt to legislate new life into unions that could no longer sustain their own power.

Union executives are now trying to recover the losses of recent years and find a new role in modern society. They agree that unions must embrace rather than resist new technologies and that unions must help plan how technology can be applied fairly to create new jobs. They want a say in corporate planning, but there seems little chance that they will succeed except, perhaps, in individual firms.

According to employers, the unions have missed their chance to be partners in change. Officials at the Conseil National du Patronat Français, the national employers group, say that the unions refused to consider changes in working patterns in the 1970s.

Unions objected to employer-sponsored plans to bring workers into management planning because "the unions accused us of mounting a war machine that would destroy their power," said one CNPF official.

BRIGID PHILLIPS is a freelance journalist based in Paris.

L'ESSENTIEL, C'EST DE PARTICIPER. L'IMPORTANT, C'EST DE GAGNER.

PARIS 1992



The essential thing is to participate. So said Baron Pierre de Coubertin in 1892 in Paris. The important thing is to win. It is this spirit which moves the Association for the Candidature of Paris for the Olympic Games of 1992, presided by Jacques Chirac.

To organize the Olympic Games in Paris is a chance that would mean much for France. And this chance is one the Comité de Soutien à la Candidature de Paris is eager to seize.

Backing Philippe Clémont, President of the Chamber of Commerce and Industry of Paris are:

Marcel Rousselle-Bouchet - Peltier, Francis Bouquay - Bouquay, Michel Cotte - Lott, Yvette Chassagne - U.A.P., Alain Chevalier - Météo-France, Jean-Claude Decaux - Affiliations Decaux, Bernard Desnais - Sommer-Albert, Guy Delomay - Cie Générale des Eaux, Paul Dubrion - Gérard Villot - Accor, Jean-Yves Fabre - Porfina, Jean-Luc Lagardère - Matra, René Lagoutte - U.T.A., Jérôme Moreau - Lyonnais des Eaux, Jacques Sarrat - Ball, Gilbert Vigano - Club Méditerranée, all of whom support this candidature. They have already been joined by 140 other enterprises, and all know how important it is to win. But every victory has its price. So that Paris can show the world its will to win, Paris needs you. Now.

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NYSE Most Actives	Vol.	High	Low	Last	Chg.	Dow Jones Averages	Open	High	Low	Last	Chg.	NYSE Index	High	Low	Close	Chg.	AMEX Diaries	Date	Prvn.	Advances	Declines	Unch.	Total	Volume	Value	High	Low	Close	Chg.	NASDAQ Index	Close	Chg.	Week Ago	Year Ago	AMEX Most Actives	Vol.	High	Low	Last	Chg.																																																																																																																																																																																																																									
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Dow Jones Bond Averages					NYSE Diaries					Odd-Lot Trading in N.Y.					Standard & Poor's Index					AMEX Sales					AMEX Stock Index				
Vol.	High	Low	Last	Chg.	Open	High	Low	Last	Chg.	Open	High	Low	Last	Chg.	Open	High	Low	Last	Chg.	Open	High	Low	Last	Chg.	Open	High	Low	Last	Chg.
100,000	100.00	99.00	99.00	+1.00	100.00	100.00	99.00	99.00	+1.00	100.00	100.00	99.00	99.00	+1.00	100.00	100.00	99.00	99.00	+1.00	100.00	100.00	99.00	99.00	+1.00	100.00	100.00	99.00	99.00	+1.00
50,000	50.00	49.00	49.00	+1.00	50.00	50.00	49.00	49.00	+1.00	50.00	50.00	49.00	49.00	+1.00	50.00	50.00	49.00	49.00	+1.00	50.00	50.00	49.00	49.00	+1.00	50.00	50.00	49.00	49.00	+1.00
25,000	25.00	24.00	24.00	+1.00	25.00	25.00	24.00	24.00	+1.00	25.00	25.00	24.00	24.00	+1.00	25.00	25.00	24.00	24.00	+1.00	25.00	25.00	24.00	24.00	+1.00	25.00	25.00	24.00	24.00	+1.00
12,500	12.50	12.00	12.00	+1.00	12.50	12.50	12.00	12.00	+1.00	12.50	12.50	12.00	12.00	+1.00	12.50	12.50	12.00	12.00	+1.00	12.50	12.50	12.00	12.00	+1.00	12.50	12.50	12.00	12.00	+1.00

NYSE Soars; Dow Near Record

United Press International

NEW YORK — Prices on the New York Stock Exchange soared Tuesday, led by a rebounding bond market and weaker oil prices. The Dow Jones industrial average closed just shy of its record high of 3,447.47, its highest since 1929.

The Dow shot up 25.74 points, finishing at 3,447.47. Its highest close was 3,455.90 on April 21, 1929.

The Dow showed double-digit gains for most of the session but doubled its advance in the last hour of trading.

While the Dow did not set a closing record, several other broad market indicators did. Standard & Poor's 500-stock index rose 3.40, to 244.75, surpassing its old high of 244.74, set April 21. The American Stock Exchange index rose 1.83, to 140.71, below its record close of 141.07. The price of an average share jumped 54 cents.

Advances outpaced declines 1,188-482 among the 1,974 issues traded.

On the Big Board, 121.2 million shares changed hands, compared with 130.2 million on Friday before the Memorial Day holiday.

Analysts said a bond market rebound extended from last week pushed stock prices higher as investors in both debt and equity markets anticipated lower interest rates.

"The bond market's recovery from a somewhat overvalued position seemed to be the trigger for last week's gains and continued to be so today," said Donald Kinsey of Dean Witter Reynolds.

Mr. Kinsey said the market needed to move above its old highs "to break out of its malaise." Sentiment that interest rates are heading lower or is growing stronger, said Harry Villac of Soto & Co.

Mr. Villac said the Dow would set a new high shortly and hit 3,500 "probably this summer."

Spery was the most active NYSE-listed issue, rising 1 1/4 to 74 1/4. Its board approved Burroughs offer to acquire Spery for \$76.50 a share. Burroughs rose 1 1/4 to 59 1/4.

Texas Utilities followed, adding 1/2 to 32 1/2. Federal National Mortgage Association was third, climbing 1 1/2 to 36 1/4. Among other interest-sensitive issues, Northeast Utilities rose 1/2 to 19 1/2. Commonwealth Edison added 1 to 31. BellSouth rose 1/2 to 55 1/2. Dreyfus Corp. jumped 4 1/2 to 97 1/2 and American International Group jumped 3 1/2 to 139 1/2.

IBM climbed 1 1/4 to finish at 145 after authorizing the purchase of 10 million shares of its capital stock.

Elsewhere in the high technology sector, Cray Research advanced 3 to 89. Digital Equipment rose 1/2 to 87 1/2. In the semiconductor group, Motorola edged up 1/2 to 45 1/2. Texas Instruments climbed 1 1/2 to 134 and National Semiconductor rose 1/2 to 124.

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NOVA, AN ALBERTA CORPORATION is a major Canadian energy company headquartered in Calgary, Alberta.

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Current areas of activity comprise gas transportation and marketing, petroleum, petrochemicals, manufacturing, consulting and research. Although most operations are located in Canada, products and services are marketed worldwide.

NOVA is a public, shareholder-owned company trading on the Toronto, Montreal and Alberta stock exchanges. Total consolidated assets are approximately \$6.4 billion, and the NOVA companies employ about 7,800 people.

Our annual and interim reports, as well as other corporate literature, may be obtained by writing to the head office address below.

Financial reports are also available from the Company's Paying Agent: Bank of Montreal, 9 Queen Victoria Street, London, England EC4N 4XN.

Report for the Year Ended December 31, 1985

CONDENSED CONSOLIDATED BALANCE SHEET

(audited; thousands of Canadian dollars)

	As at December 31, 1985	1984
Assets:		
Current assets	\$1,114,015	\$1,010,882
Long term investments	171,738	103,018
Plant, property and equipment (net)	4,883,581	5,190,296
Other assets	202,730	123,712
	\$6,352,064	\$6,427,888
Liabilities:		
Current liabilities	\$1,088,501	\$972,238
Long term debt	2,738,979	2,674,278
Deferred income taxes	425,583	496,802
Deferred gain	82,358	—
Minority interest in subsidiary companies	611,015	560,954
Shareholders' equity:		
Preferred shareholders	861,857	780,594
Common shareholders	563,270	742,823
	\$6,352,064	\$6,427,888

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(audited; thousands of Canadian dollars except for share data)

	For the Year Ended December 31, 1985		1984
Operating revenue	\$3,347,236	\$3,793,533	
Net operating income	\$ 673,572	\$ 678,988	
Equity in losses of affiliated companies	(7,235)	(8,367)	
Allowance for funds used during construction	3,171	31,800	
Other income (expenses)	1,921	1,551	
Interest expense (net)	(315,915)	(341,709)	
Income before income taxes, minority interest and extraordinary items	355,514	362,267	
Income taxes	(156,892)	(150,200)	
Minority interest	(55,511)	(56,739)	
Income before extraordinary items	134,111	155,368	
Extraordinary items	(215,522)	48,082	
Net income (loss)	\$ (82,411)	\$ 203,350	
Earnings (loss) per common share			
Before extraordinary items			
Basic	\$ 0.38	\$ 0.63	
Fully diluted	\$ 0.38	\$ 0.60	
After extraordinary items			
Basic	\$ (1.31)	\$ 1.02	
Fully diluted	\$ (1.31)	\$ 0.77	

*In 1985, the Company reported an extraordinary loss of \$215.5 million which consisted of a non-cash deemed accounting loss of \$55.8 million relating to the dilution of its ownership in Husky Oil Ltd. (from approximately 67% to 57%) as a result of the conversion to common shares of Husky's 13% convertible preferred shares; a write-down of \$152.4 million (net of income taxes) in the carrying value of its lower low-density polyethylene plant; a write-down of \$10.5 million on the value of an engineering division; and a gain of \$10.3 million on the sale of a polyvinyl chloride plant.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

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State	Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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Year	Value	Year	Value	Year	Value	Year	Value
1981	20%	1986	20%	1991	20%	1996	20%
1982	20%	1987	20%	1992	20%	1997	20%
1983	20%	1988	20%	1993	20%	1998	20%
1984	20%	1989	20%	1994	20%	1999	20%
1985	20%	1990	20%	2000	20%		

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42	WELLS

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United States		West Germany	
Lowe's Companies		Monnemann	
1st Qtr.	1986	Year	1985
Revenue	\$34.0	Revenue	1,175
Net Inc.	11.4	Profits	15.7
Per Share	0.31		10%

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CURRENCIES UNLESS OTHERWISE INDICATED

Canada		Smithfield Pigs	
Bank of Nova Scotia			
1st Offer	1984	1985	
Per Share	1.00	1.00	
Per Share	4.47	5.01	
Per Share	153.80	141.65	
Per Share	0.90	0.86	
eth Corp			
1st Offer	1984	1985	
Per Share	1.00	1.00	
Per Share	4.47	5.01	
Per Share	153.80	141.65	
Per Share	0.90	0.86	
Resnord			
1st Offer			
1st Offer	1984	1985	
Per Share	1.00	1.00	
Per Share	4.47	5.01	
Per Share	153.80	141.65	
Per Share	0.90	0.86	

	1984	1985
Tot. Profit	7,180	6,020
Revenue	148.8	151.0

United States		West Germany	
1st Quar.	1986	1985	1985
Revenue	\$24.0	\$22.1	\$22.1
Net Inc.	\$1.4	\$1.8	\$1.8

Australia's High Inflation Rate

Still Declining to 7.9% in 1986

Reuters

MELBOURNE — Australia's inflation rate is on its way down, but the average rate is likely to be more than triple the average rate in the Western economies, the Australian Chamber of Manufacturers and the Melbourne Institute of Economic and Industry Research said Tuesday.

The average rate of 9.2 percent in the first quarter, but an economic survey released by the groups predicted the inflation rate will fall to 6.5 percent by the first half of 1987; the Australian dollar remains stable. They predicted the rate of 7.9 percent in 1986 — more than three times the current average rate expected in the Organization for Economic Cooperation and Development.

IN THE IHT EVERY MONDAY.
A CONCISE OVERVIEW OF TRADING
ON MAJOR WORLD STOCK
MARKETS DURING THE PREVIOUS
WEEK AND A LOOK AT LIKELY
DEVELOPMENTS AHEAD.
ESSENTIAL READING FOR INVESTORS
AND PROFESSIONALS —
WORLDWIDE

INTERNATIONAL JOURNAL OF PSYCHOLOGICAL AND PSYCHIATRIC RESEARCH 19(1) 1990, 1-10 ADVERTISEMENT

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 27 MAY 1986																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
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DM - Deutsche Mark; BF - Belgium Francs; FL - Dutch Florin; LF - Luxembourg Francs; ECU - European Currency Unit; SF - Swiss Francs; c - cents; + - Offer Price; - bid change

U.S. Futures									
Via The Associated Press									
May 27									
Symbol	Open	High	Low	Close	Chg.	Settle	Open	High	Low
Grains									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
Metals									
Copper	1.50	1.55	1.50	1.55	0.05	1.55	1.50	1.55	1.50
Aluminum	1.00	1.05	1.00	1.05	0.05	1.05	1.00	1.05	1.00
Nickel	0.50	0.55	0.50	0.55	0.05	0.55	0.50	0.55	0.50
Zinc	0.80	0.85	0.80	0.85	0.05	0.85	0.80	0.85	0.80
Gold	350.00	350.50	350.00	350.50	0.50	350.50	350.00	350.50	350.00
Livestock									
Cattle	1.00	1.05	1.00	1.05	0.05	1.05	1.00	1.05	1.00
Hogs	0.50	0.55	0.50	0.55	0.05	0.55	0.50	0.55	0.50
Poultry	0.20	0.25	0.20	0.25	0.05	0.25	0.20	0.25	0.20
Currency Options									
YEN	1.00	1.05	1.00	1.05	0.05	1.05	1.00	1.05	1.00
DM	0.50	0.55	0.50	0.55	0.05	0.55	0.50	0.55	0.50
GBP	0.20	0.25	0.20	0.25	0.05	0.25	0.20	0.25	0.20

International Finance Corporation
Washington, D.C.

U.S. \$ 50,000,000
7 7/8% Bonds of 1986/1993

Deutsche Bank Capital Markets Limited
Bankers Trust International Limited
Morgan Grenfell & Co. Limited
Swiss Volksbank Limited

Parker

Parker-Hannifin Corporation
Cleveland, Ohio, U.S.A.

DM 60,000,000
Private Placement
5% Deutsche Mark Bonds of 1986, due 1994

Deutsche Bank Aktiengesellschaft
Dresdner Bank Aktiengesellschaft
Kidder, Peabody International Limited

Asian Commodities									
Symbol	Open	High	Low	Close	Chg.	Settle	Open	High	Low
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
London Commodities									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
Paris Commodities									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
Cash Prices									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
U.S. Treasuries									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
Dividends									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
DM Futures Options									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00
German Electrical Orders Up									
WHEAT	11.00	11.05	11.00	11.05	0.05	11.05	11.00	11.05	11.00
CORN	3.50	3.55	3.50	3.55	0.05	3.55	3.50	3.55	3.50
Soybeans	10.00	10.05	10.00	10.05	0.05	10.05	10.00	10.05	10.00
Soybean Meal	25.00	25.05	25.00	25.05	0.05	25.05	25.00	25.05	25.00
Soybean Oil	18.00	18.05	18.00	18.05	0.05	18.05	18.00	18.05	18.00

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